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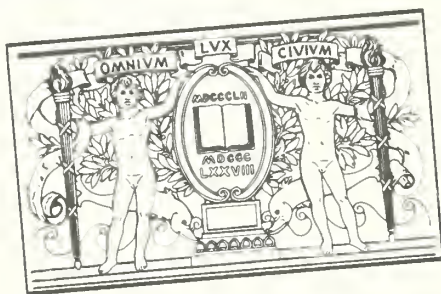
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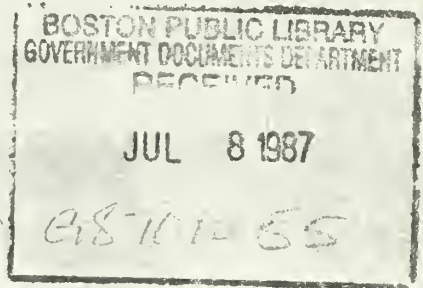




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Boston City Finances, and  
The Effect of Restoring Salary Schedules

Boston Municipal Research Bureau  
One Court Street,  
Boston, Massachusetts

February 6, 1934



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BOSTON MUNICIPAL RESEARCH BUREAU  
One Court St. Boston, Mass.

February 6, 1934

Hon. George W. Knowlton, Jr.,  
Chairman, Committee on Public Service,  
State House,  
Boston, Massachusetts.

Dear Sir:

Numerous bills have been introduced at the present session of the Legislature providing for the restoration of salary cuts, and of step-rate increases to employees of the County of Suffolk and the City of Boston.

The Mayor of Boston has also filed two bills, one of which would restore annual step-rate increases immediately. The other would permit the Mayor to restore pay cuts in whole or in part when the 1935 city budget is prepared late in 1934.

In the hope that an analysis of financial trends in Boston's city finances, and the financial outlook for 1934 will aid in the consideration of these bills, the Boston Municipal Research Bureau submits the attached memorandum. Your Committee is urged to give careful study to the disquieting facts here indicated before acting on the proposals. We believe these facts thoroughly support the Mayor's recent statement that there is "danger of pay-less pay days (and that) it is better to suffer pay reductions for another year, than, by restoring them, to hazard the chance of so impairing the financial position of the City, that city and county employees might have to forego receiving any salary whatever."

Very truly yours,

H. C. Loeffler,  
Secretary

Copies sent to  
Members of the Committee:

Senator George W. Knowlton, Jr., Joseph H. Finnegan, Newland H. Holmes,  
Edward H. Nutting.

Rep. Richard H. Stacy, Zachous H. Cande, Thomas P. Dillon, Winfred A. Forward,  
Arthur A. Hansen, Archibald L. Jones, Charles A. Kelley, Michael T.  
O'Brien, Raymond F. O'Connell, James J. Sullivan, W. Goulding Warren.





# BOSTON CITY FINANCES, AND THE EFFECT OF RESTORING SALARY SCHEDULES

## CONTENTS

	<u>Page</u>
 GENERAL SUMMARY	
PART I     BOSTON'S CITY FINANCES OF 1924-1933	
Expenditures . . . . .	1
Taxation . . . . .	3
Debt . . . . .	8
 PART II    THE FINANCIAL OUTLOOK FOR 1934	
Major Factors in the 1934 Tax Rate . . . . .	13
Favorable Factors . . . . .	13
Adverse Factors . . . . .	14
 PART III   THE EFFECT OF RESTORING SALARY SCHEDULES	
Extent of the Public Payroll in Boston . . . . .	17
Chronology of Recent Salary Changes . . . . .	17
Cost of Living in Massachusetts . . . . .	18
Cost of Restoring Salary Schedules . . . . .	18

## Tables and Charts

Chart - Expenditures Per Capita of 10 Largest Cities, 1932 . . . . .	1
Table - Adjusted Tax Rate of Boston vs. 12 Largest Cities, 1928-33 . . . . .	2
Chart - Growth of Cost of Government in Boston, 1924-33. . . . .	3
Chart - Assessed Valuations in Boston, 1924-33 . . . . .	3
Table - Tax Abatements in Boston, Levies of 1929-32. . . . .	4
Chart - Tax Rates in Boston, 1924-33 . . . . .	4
Table - Computation of Boston's Tax Rates of 1924, and 1929-33 . . . . .	5
Chart - Tax Delinquencies in Boston, 1925-33 . . . . .	6
Chart - Tax Collections in Boston, Levies of 1928-33 . . . . .	7
Chart - "Cash Surpluses" and "Deficits", Boston, 1928-33 . . . . .	8
Table - Growth of Boston's Net Debt, 1924-33 . . . . .	8
Chart - Annual Tax Rates for Debt Service, 1924-33 . . . . .	9
Chart - Temporary Loans Issued, 1929-34. . . . .	10
Table - Ten-Year Trend in City Finances, 1924, and 1929-33 . . . . .	10
Chart - Trends of Cost of Govt. and Community Income, 1929-33 . . . . .	12
Table - Public Welfare Department Case Load by Months, 1933. . . . .	14
Table - Total and Payroll Appropriations, 1932-33 . . . . .	17
Chart - Cost of Living; Annual, 1913-33; and Monthly, 1930-33 . . . . .	19



## GENERAL SUMMARY

Finances of 1924-33. Comparative analyses show that the burden of government costs in Boston is excessive as compared to other large cities. Assessed valuations are at a low point for the past decade. Increasing tax rates have been accompanied by ever larger tax delinquencies which indicate a general decline in the taxpaying ability of the community. Pyramiding deficits in current operations of the City increase the difficulty of current financing. The marketing of 1934 tax anticipation notes constitutes a major problem for the City. A growing debt piles up burdens for the future.

As far as possible the above factors have been consolidated in the following table of index numbers (Base: 1924 = 100) showing relative trends during the past decade of City finances. The "adjusted" 1933 column compensates for emergency loans and grants.

	<u>1924</u>	<u>1931</u>	<u>1932</u>	<u>1933</u> <u>Actual</u>	<u>Adj.</u>
Cost of Government	100	139	139	129	136
Property Tax Levy	100	138	150	131	152
Net Debt (All Purposes)	100	143	152	162	---
Assessed Valuations	100	108	104	98	---
Temporary Borrowing	100	114	190	240	---
Tax Rate	100	127	144	133	155

Outlook for 1934. The new administration faces a fiscal year fraught with uncertainty. Such facts as are now available present a generally dark picture and emphasize the necessity of thorough retrenchment and the need of extreme caution before adding to the load which the city government and the community must bear. It is entirely probable that a considerable increase in the tax rate will occur in 1934.

Cost to Restore Pay Cuts. THE RESTORATION OF SALARY CUTS WOULD COST THE CITY \$5,000,000, or \$2.90 of tax rate. THE RESUMPTION OF STEP-RATE SALARY INCREASES WOULD COST ABOUT \$475,000, or twenty-eight cents of tax rate.



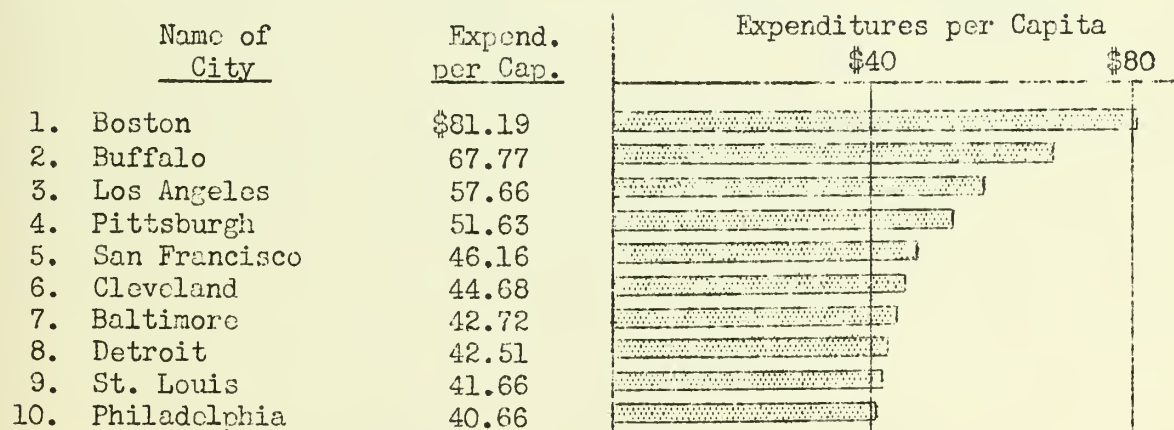
## PART I

### BOSTON'S CITY FINANCES, 1924-1933

The following brief summary has been prepared to show the major trends in the finances of the City of Boston during the past ten years. Such a summary is particularly useful in appraising the present financial status of the City and in planning future financing.

#### Expenditures

Expenditures per Capita. The following tabulation and chart list, in order of size, the expenditures per capita during 1932 of ten of the thirteen cities in the United States with populations over 500,000. The data are taken from the latest U. S. Census Bureau reports and show operation and maintenance costs of general departments, excluding public service enterprises, interest and outlays. The ranking would be the same for Boston if these exclusions had not been made. Similar 1932 data for three other cities with populations over half a million (N.Y., Chic., and Milw.) have not yet been received from the Census Bureau.



In 1931 Boston's per capita expenditure of \$77.32 was highest among the thirteen largest American cities (\$65.48 for New York, \$65.27 for Buffalo, \$62.14 for Los Angeles, \$59.74 for Detroit, \$59.16 for Pittsburgh, \$55.20 for Milwaukee, \$48.59 for Cleveland, \$47.68 for Philadelphia, \$47.00 for San Francisco, \$43.12 for Chicago, \$42.68 for St. Louis, and \$40.66 for Baltimore.





These tabulations show that Boston was spending more per person in 1931 and 1932 than any other large city listed. In order to show subsequent developments, the following tabulation of 1933 tax rates is presented. Tax rates give a general indication of the current burden caused by city expenditures since so great a proportion of those expenditures is paid by the general property tax in all cities. The tax rates have been adjusted by a national authority to compensate for the practice of some cities in not assessing property at actual value. Although opinions may vary as to the accuracy of any expert's estimate, this comparison represents the considered judgment of a recognized authority in municipal finance.

<u>Year</u>	<u>Adjusted Tax Rate</u>		<u>Rank of Boston's Rate</u>
	<u>Aver. 12 Cities</u>	<u>Boston</u>	
1928	\$21.94	\$25.92	Second highest
1929	22.90	25.20	Fifth highest
1930	22.04	27.72	Highest
1931	22.95	28.35	Highest
1932	24.01	35.50	Highest
1933	24.35	32.80 *	Second highest

Boston's tax rate for 1933 would have been \$38.20 had it not been for special receipts of \$9,594,000 from federal relief grants, loans for welfare and a loan in anticipation of returns from the new tax on dividends of Massachusetts corporations. The extent to which special financing affected the tax rates of the other cities is not known.

Cost of Government. An indication of the mounting cost of government to the Boston taxpayer is shown by the following tabulation of total warrants and appropriations. This classification includes all city expenditures affecting the tax rate (state warrant and assessments, and all appropriations for city, county and school expenses).





Year	Warrants and Appropriations	Warrants and Appropriations (Millions)		
		\$25	\$50	\$75
1924	\$56,645,411			
1925	59,681,054			
1926	70,128,324			
1927	68,683,039			
1928	68,943,216			
1929	71,171,986			
1930	76,233,861			
1931	78,789,220			
1932	78,967,653			
1933	72,993,904			

The amount shown for 1933 in the above tabulation would have been greater by \$4,100,000 if the City had not met public welfare costs to that extent from borrowed money.

### Taxation

Assessed Valuation and Abatements. Assessed valuations of real and personal property have declined below the 1924 level as indicated below:

Year	Valuation (Millions)	Valuation (Millions)	
		\$1,000	\$2,000
1924	\$1,808.7		
1925	1,862.8		
1926	1,898.1		
1927	1,929.5		
1928	1,943.9		
1929	1,953.2		
1930	1,972.1		
1931	1,958.0		
1932	1,890.0		
1933	1,780.0		

As will be noted, assessed valuations have not declined very greatly from peak conditions in terms of an over-all percentage, but in 1933 they fell to the lowest point of the past decade. The decline, which has already taken place, and the further decline which must take place because of widespread over-assessment present a complication in city finances which must be met. The decrease of assessed values in the single year/1933 caused the tax rate to be \$1.86 higher than it otherwise would have been. A further decline will occur when

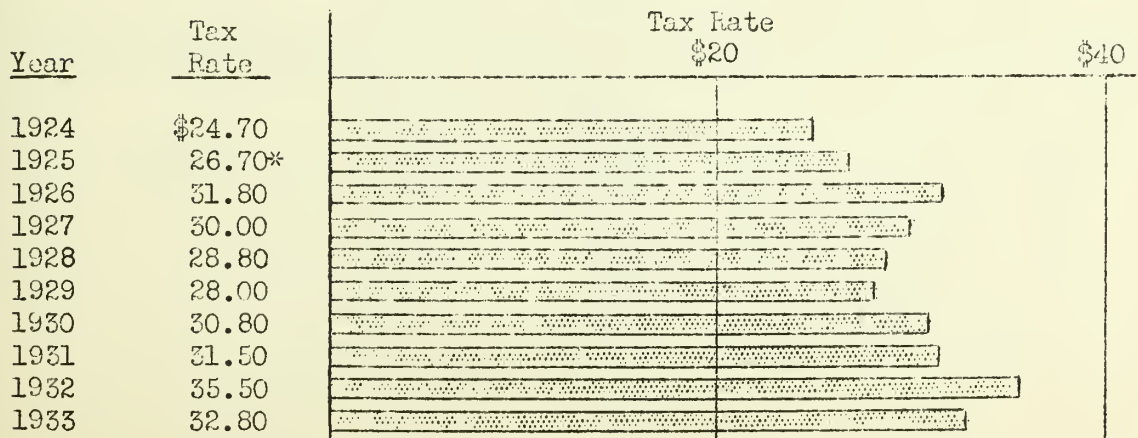


the large volume of cases pending before the State Board of Tax Appeals is disposed of. On November 30, 1933, Boston cases, on which reduced valuations were being sought, numbered 1,697, involving \$386,097,000 of assessed valuations, or \$13,144,000 of taxes assessed. These assessments covered various years prior to 1933, hence are not directly comparable to any single year's total valuation.

Another indication of the valuation problem is that of abatements. Figures for the levies from 1929 to 1932 are given below. Insufficient time has elapsed since the 1933 levy to judge definitely the course which abatements on that levy will take, although such data as are available indicate the probability of an increased proportion of abatements.

<u>Year</u>	<u>Levy</u>	<u>Abatements to Oct. 31, 1933</u>
1929	\$55,225,000	\$393,000
1930	61,302,000	594,000
1931	62,177,000	668,000
1932	67,598,000	1,660,000

Tax Rate. The annual tax rate announced by the Board of Assessors has been as follows during the past decade: (As mentioned previously, the tax rate for 1933 would have been \$38.20 had it not been for special revenues and loans in that year ).



Tax Rate Computation. The manner in which the tax rates of 1924 and the past five years were determined is indicated in the accompanying full-page tabulation:

\* Eleven months year.



COMPUTATION OF BOSTON'S TAX RATES OF 1924, AND 1929-1933

(000 omitted)

	<u>1924</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>
<u>WARRANTS &amp; APPROPRIATIONS</u>						
City Maintenance	\$27,201	\$33,658	\$36,863	\$39,458	\$40,663	\$36,750
City Debt Requirements	6,247	7,758	7,930	8,575	9,121	9,955
County Debt Requirements	132	141	155	165	162	158
Pension Accumulation Fund	1,228	1,855	1,906	2,086	2,145	1,643
County Maintenance	2,954	3,314	3,645	3,799	3,787	3,317
School Maintenance	13,356	17,145	17,363	17,558	16,903	15,105
School Land. and Bldgs.	1,000	2,500	3,416	3,049	506	125
Metropolitan Assessments	1,725	1,957	1,863	2,099	1,925	1,654
State Assessments	2,802	2,259	2,233	2,000	2,557	2,356
Elevated Deficit	---	---	---	---	1,184	1,921 (a)
Miscellaneous	---	305	510	---	15	10

TOTAL	\$56,645	\$71,172	\$76,234	\$78,789	\$78,968	\$72,994
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CREDITS AND DEDUCTIONS

Available Cash, Jan. 1	\$998	\$2,786	\$885	\$1,629	---	---
City Dept. Income*	2,025	2,359	2,421	2,412	\$2,824(b)	\$3,605(b)
County Income*	425	600	600	550	458	270
School Bal. and Income*	889	1,337	1,041	1,478	1,259	1,275
Corp. and Street Ry. Tax*	2,979	3,570	3,525	3,289	2,329	1,942
State Income Tax*	3,607	5,233	6,587	5,538	3,685	2,373
Highway Fund Receipts	---	---	---	679	1,484	---
Poll Tax	477	476	483	483	480	481
Auto Excise Tax*	---	864	951	1,029	625	450
Municipal Relief Loan	---	---	---	---	---	3,500
Federal Relief Grants	---	---	---	---	---	1,995
Miscellaneous	1,536	---	---	1,056(c)	37	39

TOTAL	\$12,996	\$17,225	\$16,493	\$18,143	\$13,181	\$15,930
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BALANCE	\$43,619	\$53,947	\$59,741	\$60,646	\$65,737	\$57,034
Percent of Overlay	2.5%	1.7%	1.7%	1.7%	2.0%	2.5%
Amount of Overlay	1,091	917	1,016	1,031	1,316	1,427
TAX LEVY	44,740	54,864	60,757	61,677	67,103	58,491
ASSESSED VAL. (MILLIONS)	1,809	1,953	1,972	1,958	1,890	1,780
Exact Rate	24.736	28.089	30.807	31.500	35.504	32.860
TAX RATE	24.70	28.00	30.80	31.50	35.50	32.80

\*Estimate

(a) Includes payment of \$129,000 for Governor Square deficiency.

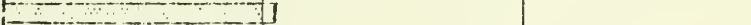
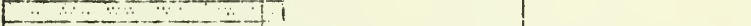
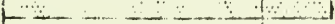
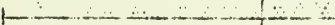

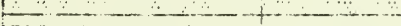

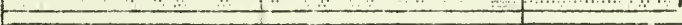
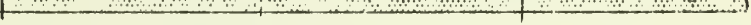
(b) Includes receipts from State for Old Age Assistance.

(c) Includes \$1,020,000, Elevated reimbursement.





Tax Collections and Delinquency. Increased tax delinquency in spite of heavy penalties, is convincing indication of the extreme difficulty with which real estate is attempting to meet the increased tax burden of recent years. The decrease in percentage of taxes collected and the increase in the percentage of tax delinquencies are shown below. Taxes are due on September 15; the percentages relate to the condition as of the end of the year of the levy (December 31). The percentages of collections and delinquencies do not quite add up to 100% because of abatements made.

Year	% Coll.	% Del.	Percentage of Delinquency (Dec. 31)		
			10%	20%	30%
1925	88.9	10.6			
1926	88.6	10.9			
1927	86.9	12.7			
1928	86.6	12.9			
1929	84.3	15.2			
1930	83.9	15.5			
1931	81.4	18.1			
1932	73.4	26.2			
1933	71.0	28.8			

The delinquency figure for 1924 is not available in published records of the City.

The large increase in tax delinquencies reflects the general decline in the taxpaying ability of the community. The rate of collection from month to month of recent tax levies is portrayed on the accompanying fullpage chart. It will be noted that the percentages of collections have dwindled with each successive tax levy, including the levy which fell due on September 15, 1933.

Cash "Surpluses" and "Deficits." The effect of increasing tax delinquency upon each year's financing is evidenced by increasing "cash deficits." The annual increase in the deficit represents the net cash shortage in the year's operations. While such deficiencies are not true deficits, they are important indications of the City's increased difficulty in carrying on current financing and the resultant need for more temporary borrowing. "Cash surpluses" (S) and "cash deficits" (D), as of December 31, are indicated below for each of the last six years:

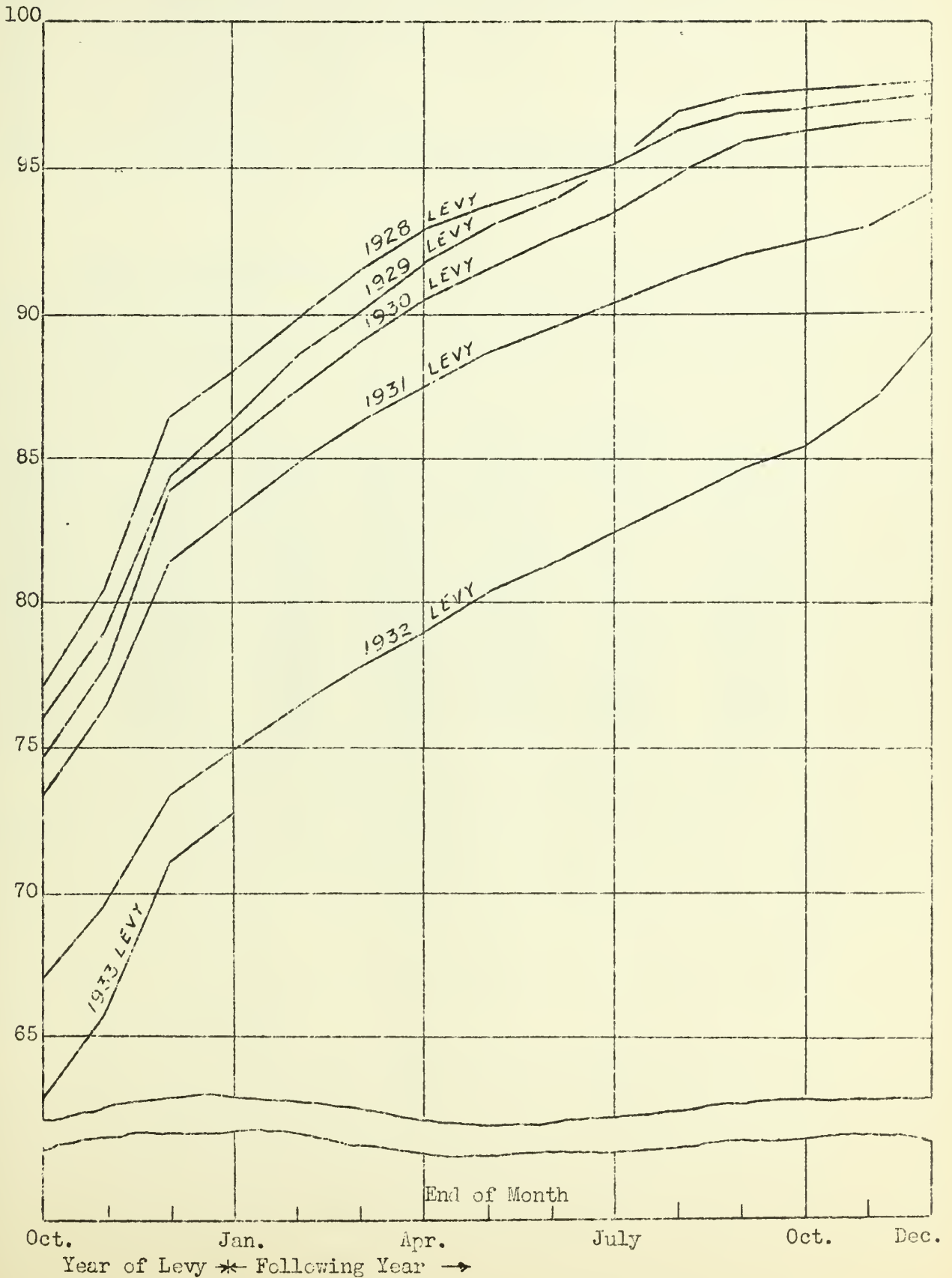




TAX COLLECTIONS  
BOSTON LEVIES OF 1928-33

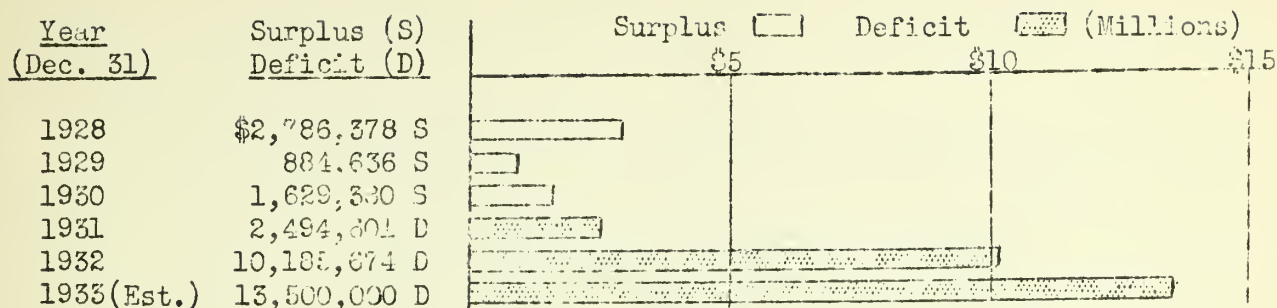
Percent  
Collected

Expressed in Cumulative Percentages



(Prepared by Boston Municipal Research Bureau)





### Debt

Growth of the Net Debt. The following tabulation shows the growth of Boston's net debt for all purposes. These figures include debt both inside and outside the debt limit. The amounts are expressed in thousands of dollars.

Dec. 31	City	County	Water	Rapid Transit	Traffic Tunnel	Total
1924	\$48,452	\$1,176	\$250	\$33,779	--	\$83,657
1925	53,882	1,084	1,138	35,268	--	91,372
1926	55,974	993	1,244	37,862	--	96,073
1927	54,113	967	1,227	40,087	--	97,194
1928	56,233	1,116	998	42,524	--	100,076
1929	57,262	1,237	768	42,860	\$50	102,177
1930	61,494	1,223	538	42,192	4,050	110,497
1931	65,071	1,119	488	45,623	7,050	119,354
1932	66,311	994	428	46,200	13,000	126,943
1933	71,837	872	388	45,518	17,200	135,815

Boston's net debt for all purposes has increased \$35,000,000 or 34.6% during the past five years, and \$52,000,000 or 62.3% during the past nine years. These increases are largely due to Boston's extensive construction program in recent years. The East Boston Traffic Tunnel, the largest single project, has been under construction during the past three years and will be opened this year.

Although the trend of net debt in the last decade has been constantly upward, until comparatively recently it was accompanied by rising assessed valuations. Certain conservative financial policies, such as the pay-as-you-go plan for some of the City's capital outlays, a tendency on the part of city officials to shorten the term of certain new issues of bonds, and the 10% "cash down" requirement imposed by the Legislature on



borrowings outside the debt limit, contributed to keeping the city debt at a low figure in the past.

In more recent years, however, the trend in assessed valuations at first levelled off and is now declining; the City has largely abandoned the pay-as-you-go policy; and the Legislature has discontinued the 10% requirement. A rapid rise has occurred in so-called "self-supporting" debt, which, it is becoming more and more evident, will not fully pay its own way. In addition, the City, with approval of the Emergency Finance Board, now plans to add approximately \$5,500,000 to its debt for public works projects under the terms of the National Industrial Recovery Act.

Debt Service Charges. The following tabulation shows the part of the annual tax rates which has been necessary during the past decade to meet principal and interest charges on the debt.

Year	"Debt" Rate	Tax Rate for Debt Service	
		\$2.50	\$5.00
1924	\$3.53		
1925	3.58		
1926	3.85		
1927	4.04		
1928	3.89		
1929	4.03		
1930	4.12		
1931	4.46		
1932	4.91		
1933	5.68		

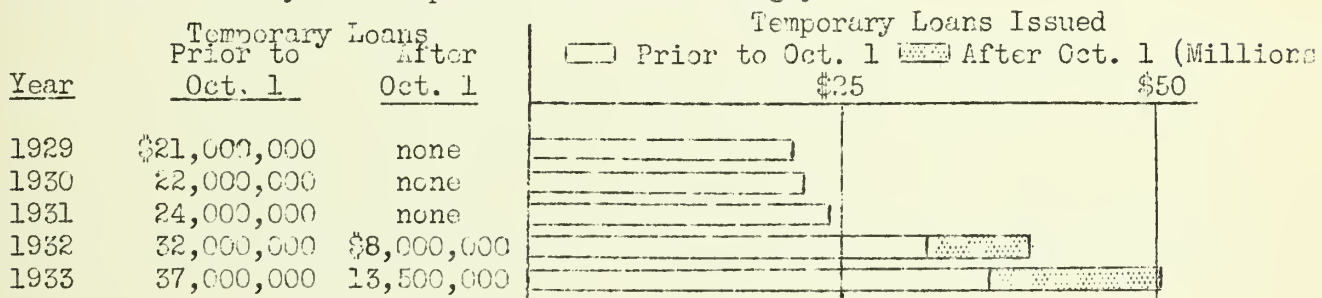
The tax rate for debt service has increased \$2.15 (60.9%) in nine years and \$1.79 (46.0%) in the past five years. The tax rate for debt service computed above is based only on city and county debt and includes interest on temporary loans. Water debt is self-supporting, hence does not affect the tax rate. Interest and retirement charges on the rapid transit debt affect the tax rate indirectly by increasing the Elevated deficit. The East Boston Traffic Tunnel debt has had no influence on the tax rate thus far, and will only affect it, when the Tunnel is opened, by the indirect effect of deficits which are in part caused by debt service charges. Boston's share of the





charges for metropolitan debt is included with state assessments on the tax bill and is not included in the above table and chart.

Temporary Borrowing. Increased tax delinquency has necessitated much greater temporary borrowing by the City for current financing. The amount of the borrowing is shown below for the past five years, subdivided into loans made prior to, and paid in October; and those loans made in the final months of the year and paid in the succeeding year.



The City is becoming increasingly dependent upon borrowed money for its current financing. Although the inauguration of semi-annual payment of taxes in 1935 may ease the problem beginning in that year, the marketing of 1934 tax anticipation notes constitutes a major problem for the City.

#### Summary

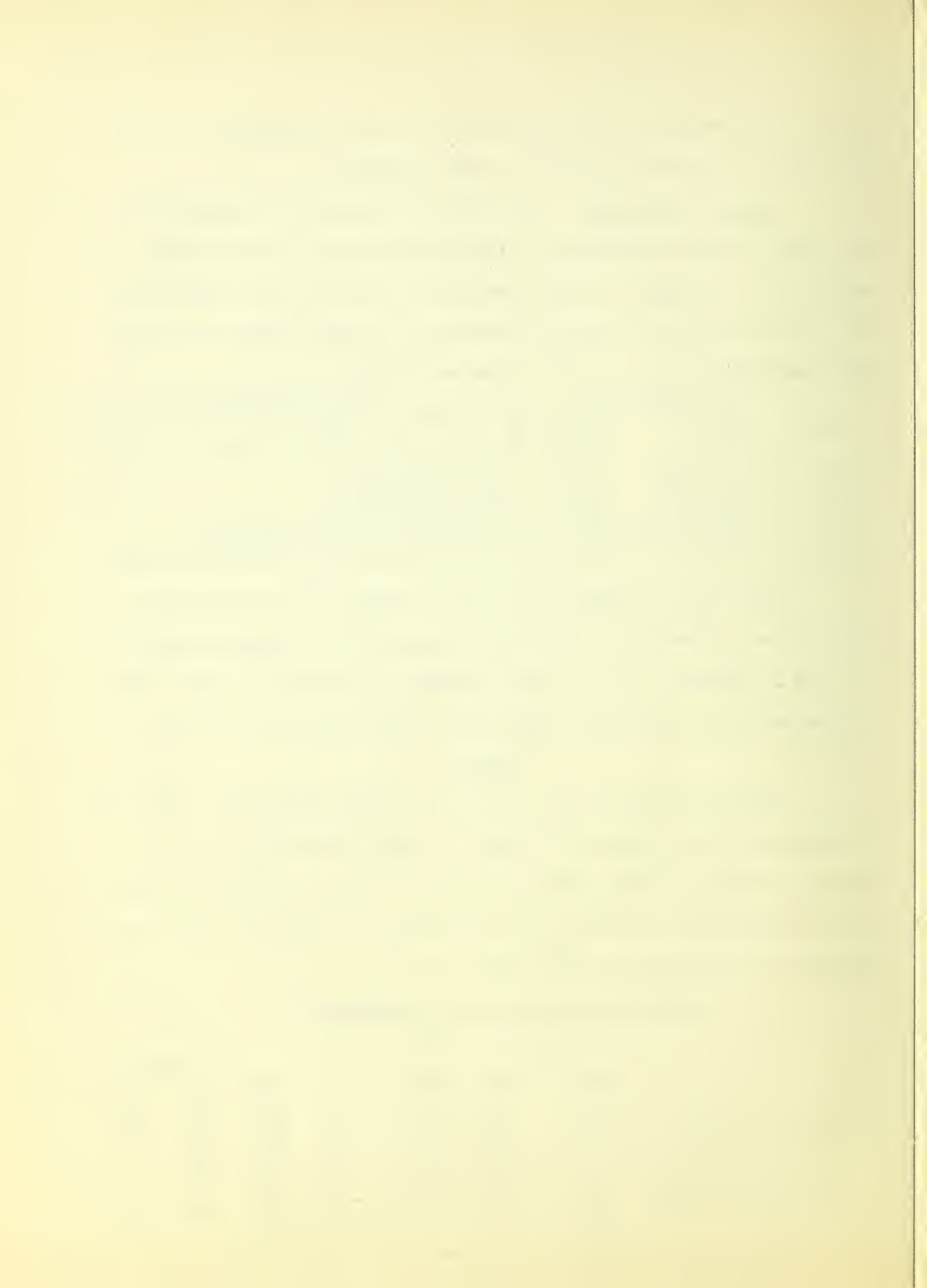
The table below has been prepared on a percentage basis (1924 = 100) to facilitate ready examination of six of the major financial trends. Even cursory examination of these figures will show at once the serious financial problem facing Boston in 1934, and the necessity of careful and conservative planning for appropriations in this fiscal year.

#### Ten-Year Trend in Boston's City Finances

(Index: 1924 = 100)

	1924	1929	1930	1931	1932	1933 Actual	1933 Adj.*
Cost of Government	100	126	135	139	139	129	136
Property Tax Levy	100	123	136	138	150	131	152
Net Debt (All Purposes)	100	122	132	143	152	162	---
Assessed Valuations	100	108	109	108	104	98	---
Temporary Borrowing	100	100	105	114	190	240	---
Tax Rate	100	113	125	127	144	133	155

\*Adjusted to compensate for emergency loans and grants (see pages 2 and 3)





PART II

THE FINANCIAL OUTLOOK FOR 1934

The new City administration is facing many financial problems at this time. Most of the major factors on which the financial developments during 1934 will depend, are still a matter of conjecture. Among these conjectural items are relief requirements; city, county, school, and state budgets; metropolitan assessments; the use of the Highway Fund; and Federal Aid.

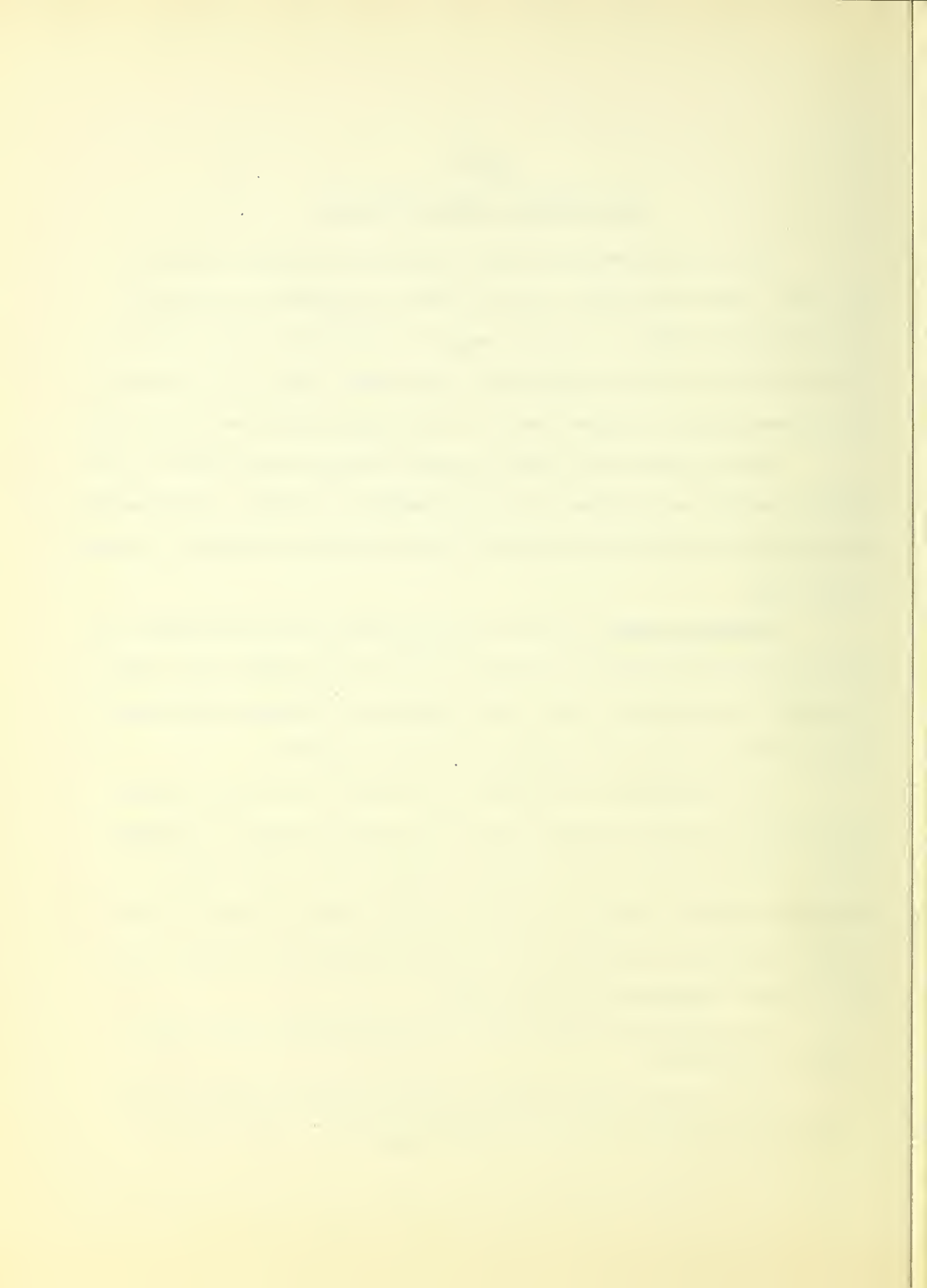
With so many large factors in doubt no satisfactory estimate of the probable tax rate or the amount of the tax burden is possible. The following text discusses the adverse and favorable aspects insofar as comment is possible at this time.

Community Income. In any discussion of the cost of government and taxation, the fundamental question must be that of the ability of the public to support its government. Much of the difficulty in municipal financing in recent years has been due to neglect of that basic question.

The accompanying chart compares the trend of the cost of government in Boston and the property tax levy, with various indexes of community income. While the list is by no means complete, and no exact measure of community income is available, the sharp downward trend of community income indexes contrasts so markedly with the trend in the cost of government that the following conclusions seem inescapable:

(1) Expenditures of the City are an increasingly serious drain upon the community.

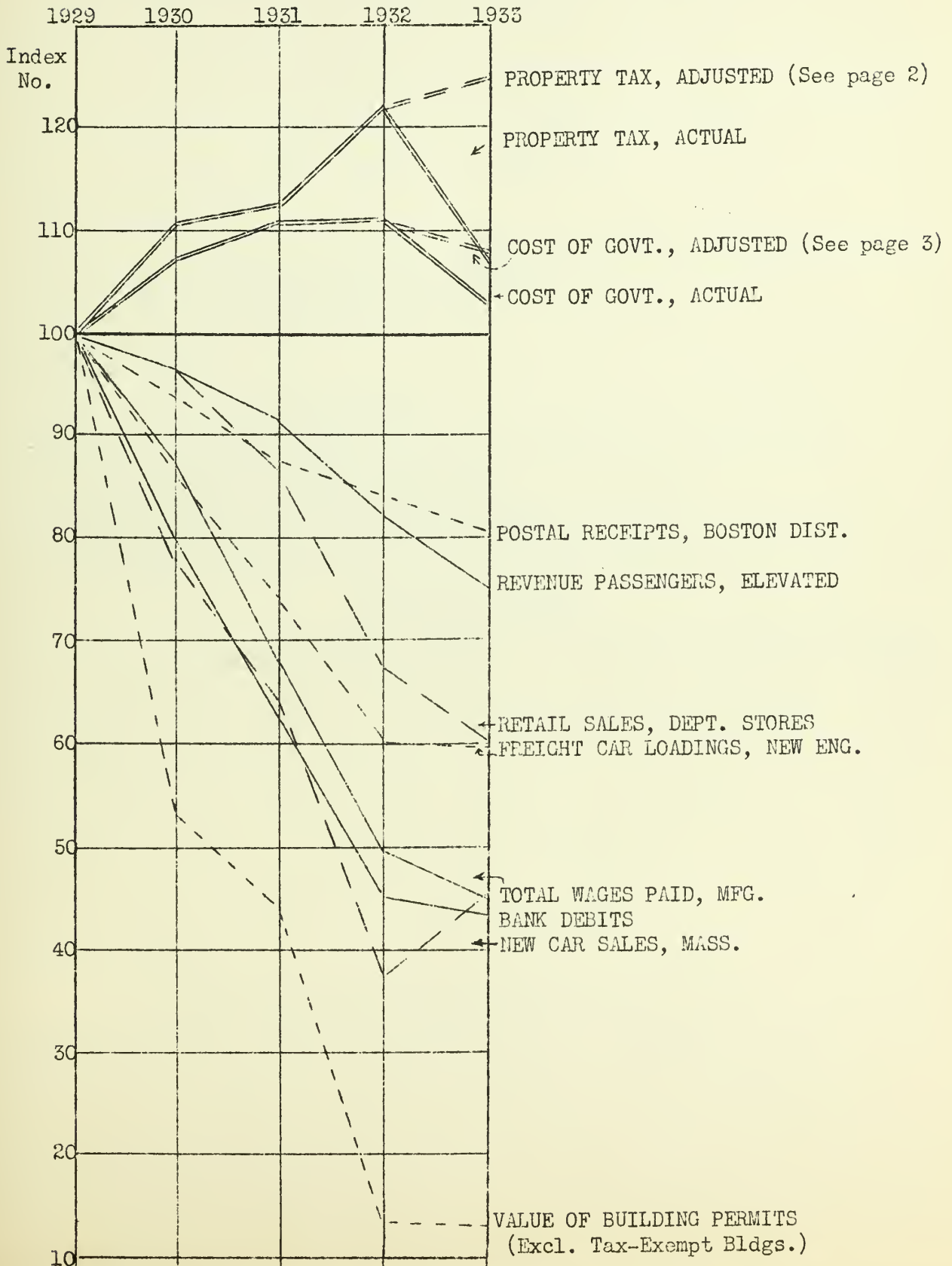
(2) Increased effort should be made to reduce the cost of government in this, the fifth year of a depression that has borne heavily on the City's financial status and the community.

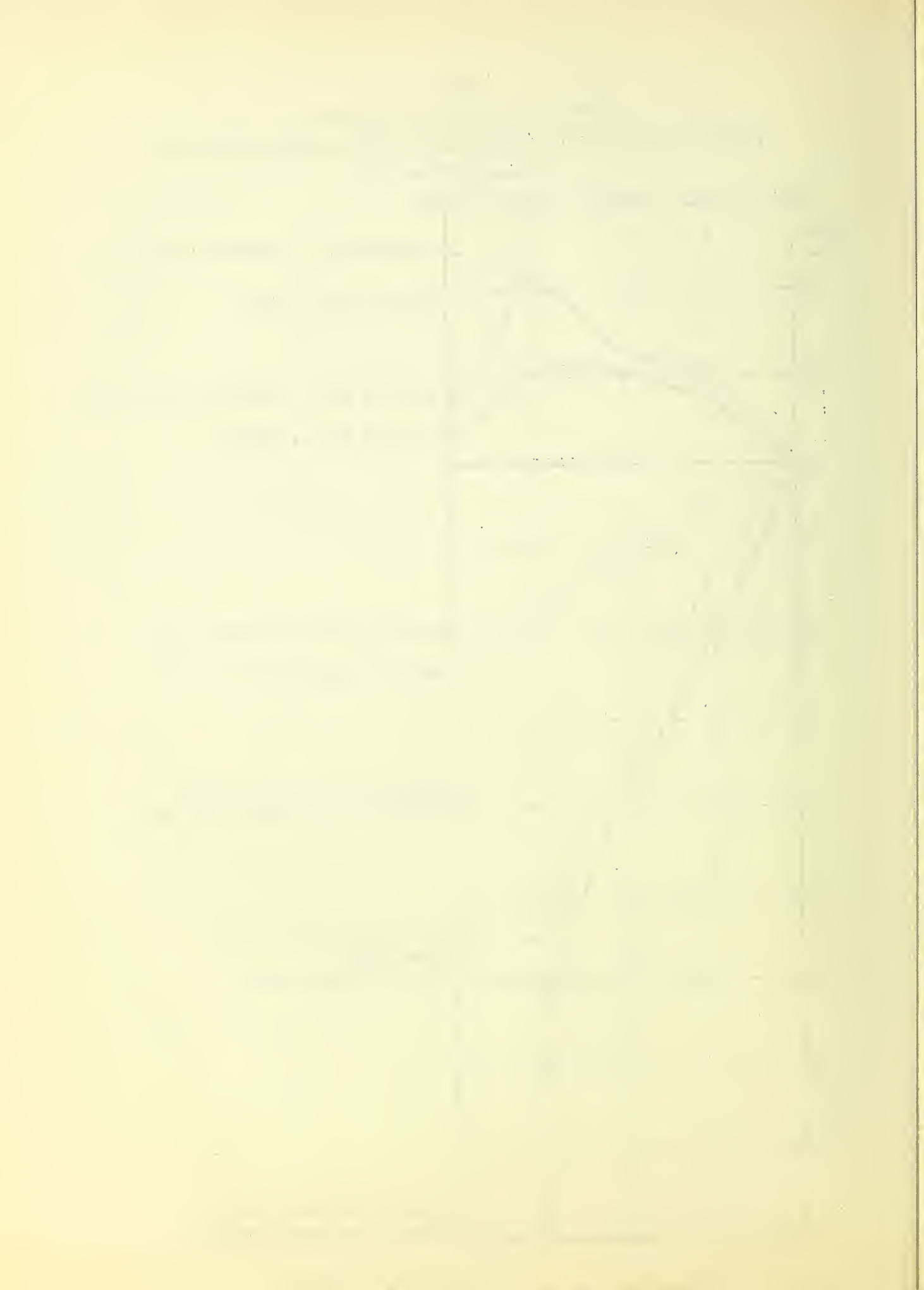


City of Boston, Massachusetts

TRENDS OF COST OF GOVERNMENT AND COMMUNITY INCOME, 1929-1933

(Index: 1929 = 100)





## MAJOR FACTORS IN THE 1934 TAX RATE

The following discussion covers those major factors which seem likely to influence materially the 1934 tax rate. For purposes of presentation they are grouped into the two following classifications. It should be remembered that these factors may vary tremendously in point of the amounts involved, and hence in their effect on the tax rate.

### Favorable Factors

1. An Increase in the Distribution of State Income Taxes to Boston.
2. A Decreased Elevated Deficit Assessment.
3. Increased City Departmental Income.

### Adverse Factors

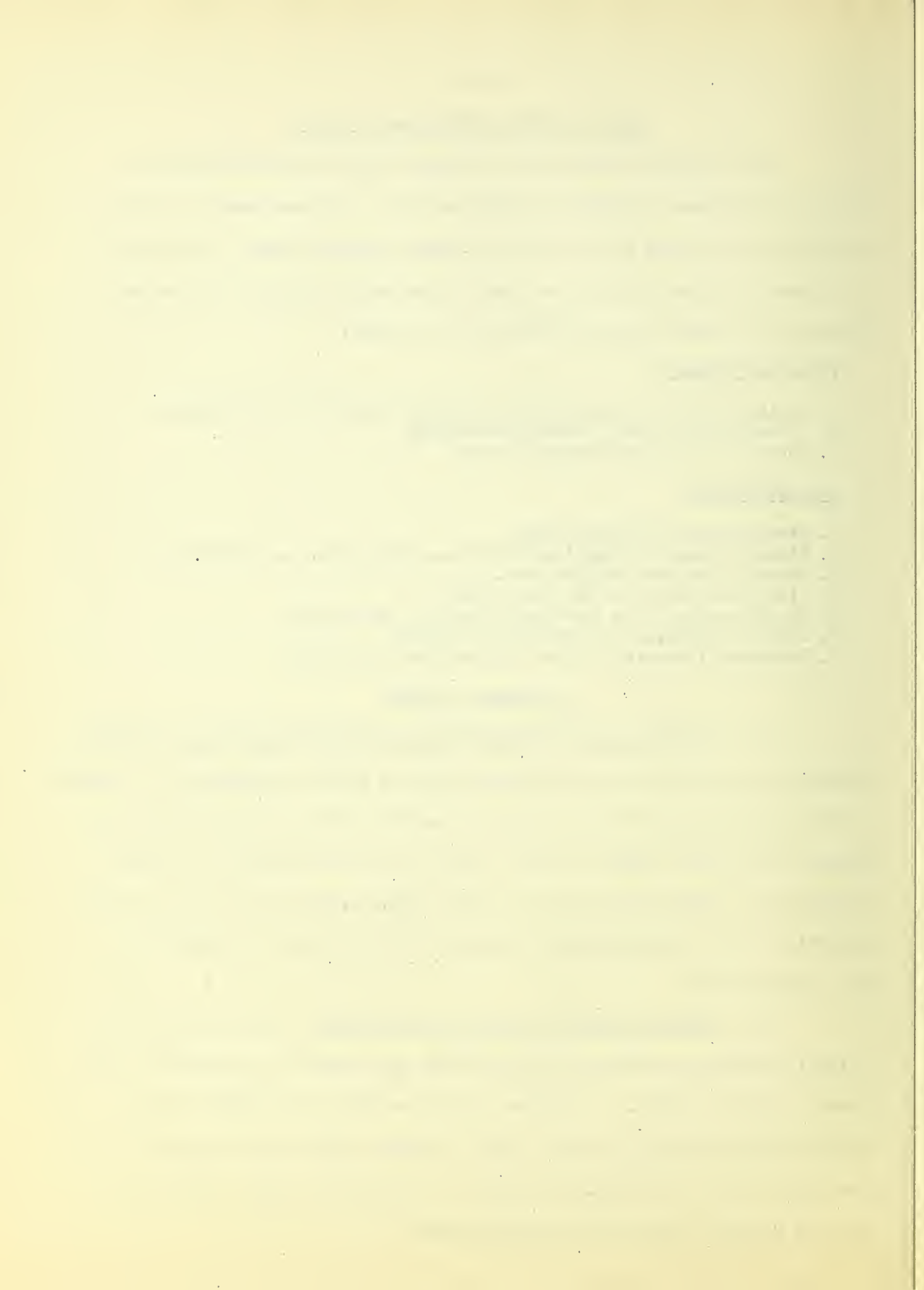
1. Increased Relief Requirements.
2. Higher Prices for Supplies, Materials, Equipment, and Contracts.
3. Greater City Debt Requirements.
4. Increased State Tax and Assessments.
5. The Necessity of an Increased Allowance for Overlay.
6. A Further Decline in Assessed Valuations.
7. Emergency Financing of 1933 Not Available for 1934.

### Favorable Factors

1. An Increase in the Distribution of State Income Taxes to Boston.

Boston's share of the income tax distribution in 1933 was \$2,680,000. A decline would occur this year if it were not for the fact that the General Court, by Chapter 307, Acts of 1933, has added a new tax on the dividends of domestic corporations. Boston may receive as much as \$2,000,000 from this new source in 1934. Part of this additional income, as stated later, was anticipated by a loan in 1933.

2. A Decreased Elevated Deficit Assessment. Last year's Elevated deficit assessment on Boston was \$1,791,000, plus \$129,000 on account of the Governor Square deficit. A decrease of between \$500,000 and \$1,000,000 in this deficit may occur this year. The operating deficit of the Railway for the first half of its fiscal year (July 1 - December 31, 1933) was 25% less than in the same period of the preceding year.





3. Increased City Departmental Income. Last year's receipts from this source were \$5,471,236. Such income in 1934 will probably increase.

Adverse Factors

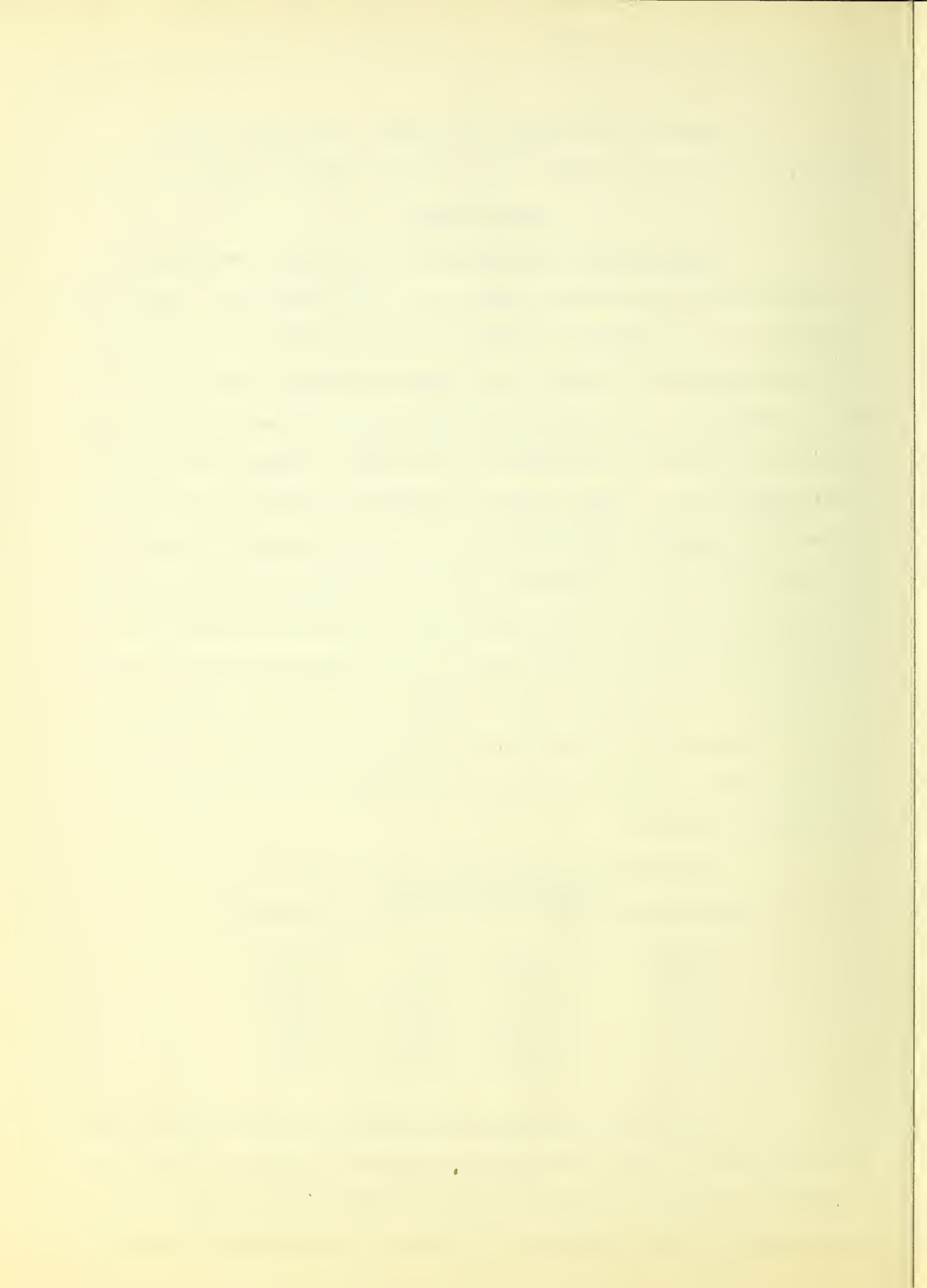
1. Increased Relief Requirements. Public welfare and soldiers' relief costs constitute the largest single item in the City budget. Total relief expenditures from all sources in 1933 were in excess of \$14,000,000. In view of the uncertainty for 1934 both as to economic developments and future Civil Works activity on the part of the Federal Government, the amount of the City's 1934 relief requirements is difficult of prediction. A known factor is that contributions by city, county, and school employees in the first four months of last year, amounting to \$733,000 and used for relief purposes, will not be available this year. In addition, \$4,100,000 of last year's welfare costs were eliminated from the tax levy by borrowing, and unless additional loans are made for this purpose in 1934, just that much extra burden may be thrown on the 1934 tax levy. Finally there is little in the experience of recent months to indicate that any considerable reduction in welfare costs may be expected in 1935. Monthly case loads of the Public Welfare Department during 1933 were as follows:

Public Welfare Department, City of Boston  
Case Load in 1933 for  
Dependent Aid, Mothers' Aid, and Old Age Assistance

January	29,837	July	31,596
February	30,979	August	31,298
March	32,197	September	30,864
April	32,133	October	31,002
May	31,733	November	32,671
June	31,834	December	29,935

2. Higher Prices for Supplies, Materials, Equipment, and Contracts.

The city, county and school budgets will undoubtedly be adversely affected by a substantial increase in the cost of supplies, materials, equipment, and contracts which, in 1933, involved an expenditure of approximately \$9,500,000.





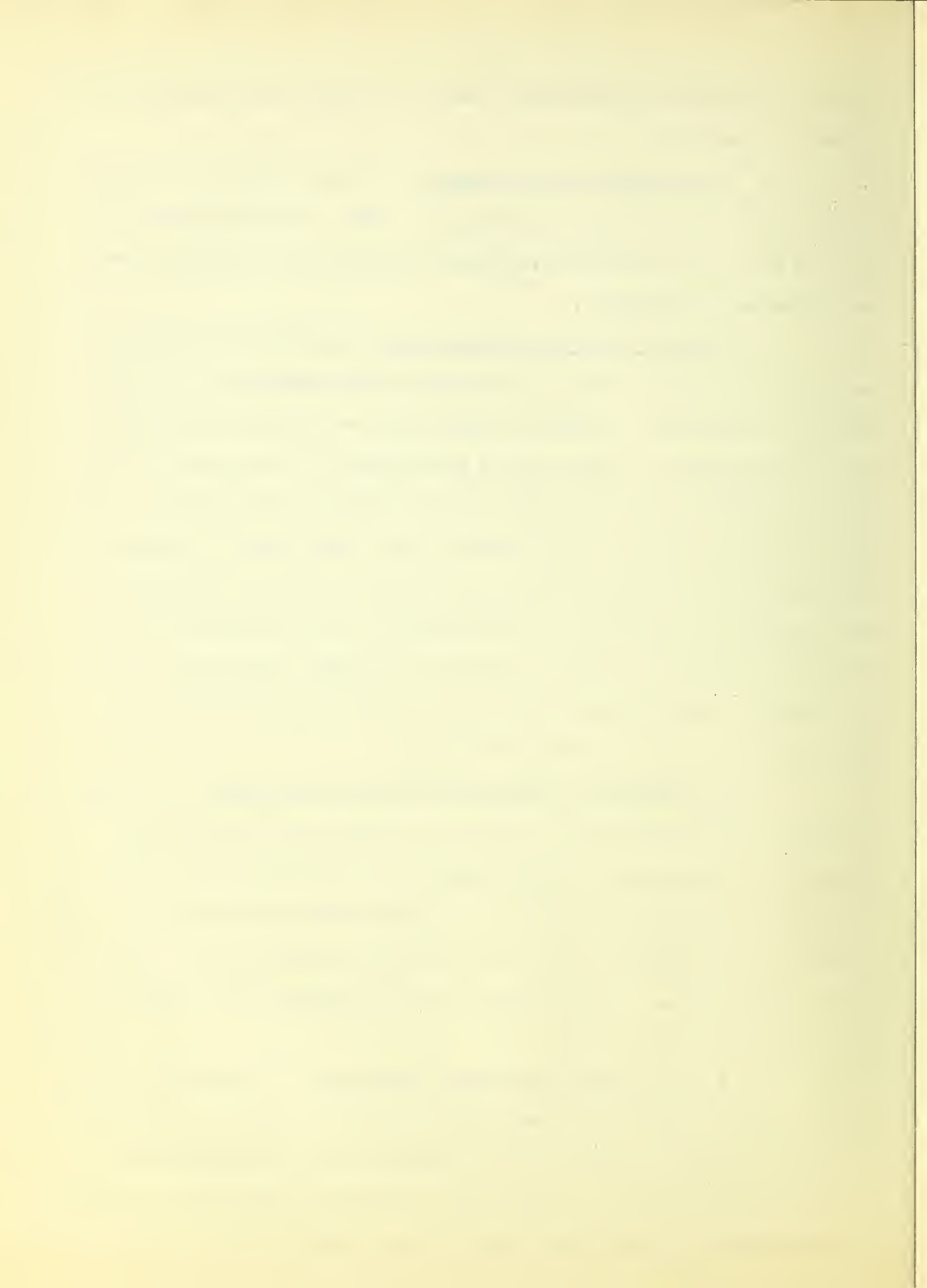
Of this sum approximately \$2,000,000 would not be affected in the current year by any price increases.

3. Greater City Debt Requirements. City debt service costs amounted to \$9,955,000 or 13.6% of total requirements in 1933. A further increase will occur in 1934 since interest and installment charges on 1933 emergency borrowing will amount to \$1,834,000.

4. Increased State Tax and Assessments. In 1932 the net state tax on Boston, that is, the state tax less highway funds distributed to the City, amounted to \$1,031,884. In 1933 the highway fund, or gasoline tax, distribution was discontinued and the state tax was \$2,322,720, a net increase in the state tax of 125% over the preceding year. The ultimate make-up of the state budget is still undecided. Great variation in the total amount is possible depending (1) upon decisions of the General Court as to the use of Highway Fund receipts, (2) new sources of revenue, which are made available; and (3) whether the cut in state salaries is restored. The budget recommendations of the Governor, without provision for salary increases, call for \$19,500,000; the comparative figure for 1933 was \$17,000,000.

5. The Necessity of an Increased Allowance for Overlay. An overlay allowance of two and one-half per cent of net requirements (\$1,427,000) was provided in computing the tax levy in 1933 to cover abatements and to avoid a fractional division of the tax rate. From information now available it appears that this allowance, as was the case with the 1932 allowance of 2%, will be insufficient. An increase in the overlay allowance will probably be necessary in the 1934 tax levy.

6. A Further Decline in Assessed Valuations. As discussed in Part I (page 3) assessed valuations declined in 1933 to below the 1924 level. The year's reduction in 1931 amounted to \$14,000,000; in 1932, \$68,000,000; and in 1933, \$110,000,000. A further large reduction in 1934 appears probable, particularly because of the large volume of cases pending before the State



Board of Tax Appeals (See page 3).

7. Emergency Financing of 1933 Not Available for 1934. Three types of emergency financing were used in 1933. The first of these - public welfare loans - has already been discussed above; the other two, and the situation in regard to them this year, are:

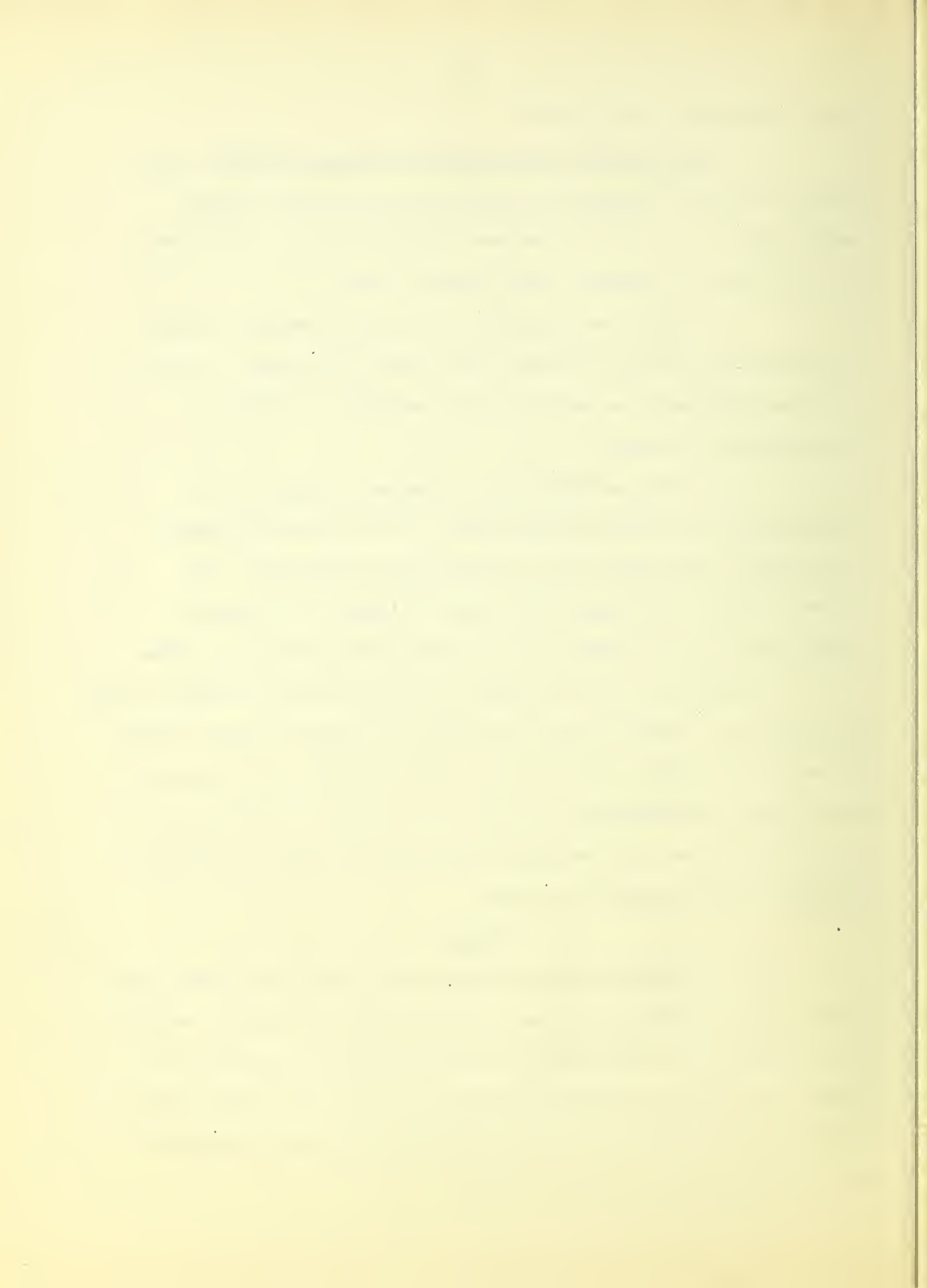
a. Federal relief grants of \$1,994,000. Whether further grants will be available in 1934 is not known at this time. If they are not forthcoming the tax rate will accordingly be increased in comparison to last year.

b. Municipal Relief Loans amounting to \$3,500,000, in anticipation of receipts by Boston from a new tax on the dividends of domestic corporations paid in 1933, 1934 and 1935 (Chap. 307, Acts of 1933). Borrowing of this type is limited to 1933 only; hence this means of reducing the tax rate is not available for 1934.

In addition to the foregoing favorable and adverse factors, Boston has not used the authority given under Chapter 49, Acts of 1933 to borrow against the tax titles it holds, with permission of the State Emergency Finance Board. Approximately \$2,000,000 of borrowing of this type is possible in 1934 if the State Emergency Finance Board decides that there is sufficient need to justify that course.

#### Summary

The new administration in Boston faces a fiscal year fraught with uncertainty. Such facts as are now available present a generally dark picture and emphasize the necessity of thorough retrenchment and the need of extreme caution before making any additions to the load the city government and the community must bear. It is entirely probable that a considerable increase in the 1934 tax rate will occur.



PART III

THE EFFECT OF RESTORING SALARY SCHEDULES

Extent of the Public Payroll in Boston. The great importance of salaries and wages in city finances is shown by the following tabulation (in thousands of dollars) of city, county, and school maintenance appropriations in the past two years, and the proportion allocated in each case to the payroll. A few estimates are included in the tabulation.

	<u>1932 APPROPRIATIONS</u>				<u>1933 APPROPRIATIONS</u>		
	<u>Total</u>	<u>Payroll</u>	<u>%</u>		<u>Total</u>	<u>Payroll</u>	<u>%</u>
City	\$40,663	\$21,100	51.9		\$36,750	\$18,400	50.1
County	3,787	2,300	60.7		3,317	2,000	60.3
Schools	16,903	14,600	86.4		15,105	13,000	86.1
Total	<u>\$61,353</u>	<u>\$38,000</u>	<u>61.9</u>		<u>\$55,172</u>	<u>\$33,400</u>	<u>60.5</u>

Chronological Summary of Recent Changes in the Salary Schedules.

The following changes in salary schedules have occurred during the current depression:

- Jan. 1, 1931 Salary increases discontinued for city and county employees excepting policemen and firemen and certain employees not under the authority of the Mayor.
- Apr. 15, 1931 County salary classification plan adopted; schedule of step-rate increases was not put into effect.
- Jan. 1, 1932 Step-rate increases of \$100 in the Fire and Police Departments suspended. All promotional increases discontinued.
- Feb. 1, 1932 "Contributions" required of city, county and school employees on the basis of one day's pay per month.
- July 1, 1932 "Contributions" required of city, county and school employees on the basis of one, two and three days' pay per month on a graduated scale.
- Sept. 1, 1932 Step-rate increments in the School Department suspended.
- Apr. 21, 1933 "Contributions" discontinued. A general reduction of salaries of city, county and school employees under Chapter 121, Acts of 1933, on the following basis:

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<u>Annual Salary</u>	<u>Reduction</u>
Less than \$1000	5%
\$1000 to \$1600	10%
Over \$1600	15%

Jan. 1, 1934    Salary reductions continued for 1934.

Trend of Cost of Living in Massachusetts. Since the question of the cost of living will undoubtedly be brought up during the discussion of the restoration of salary schedules, the Research Bureau has prepared the accompanying full-page chart and tabulation showing the changes in cost of living in the Commonwealth during recent years. The upper chart traces annual changes over the past two decades; the lower chart gives more detailed information by months over the past four years.

The twenty-year, "annual" chart shows the large increase which occurred in the cost of living up to a high point in 1920 (Index No.: 195.3). There followed a two-year decline after which the curve then stabilized at a somewhat lower level (Index No.: Above and below 160) for about a decade. Since the recent depression started there has been a rather rapid decline which has continued through the year 1933.

The four-year, "monthly" chart naturally establishes the same general trend as indicated above. In addition, it shows that the low point of 1933 was reached in March (Index No.: 118.5), that a gradual increase occurred up to October (Index No.: 128.8), and that a slight recession set in during the remainder of the year.

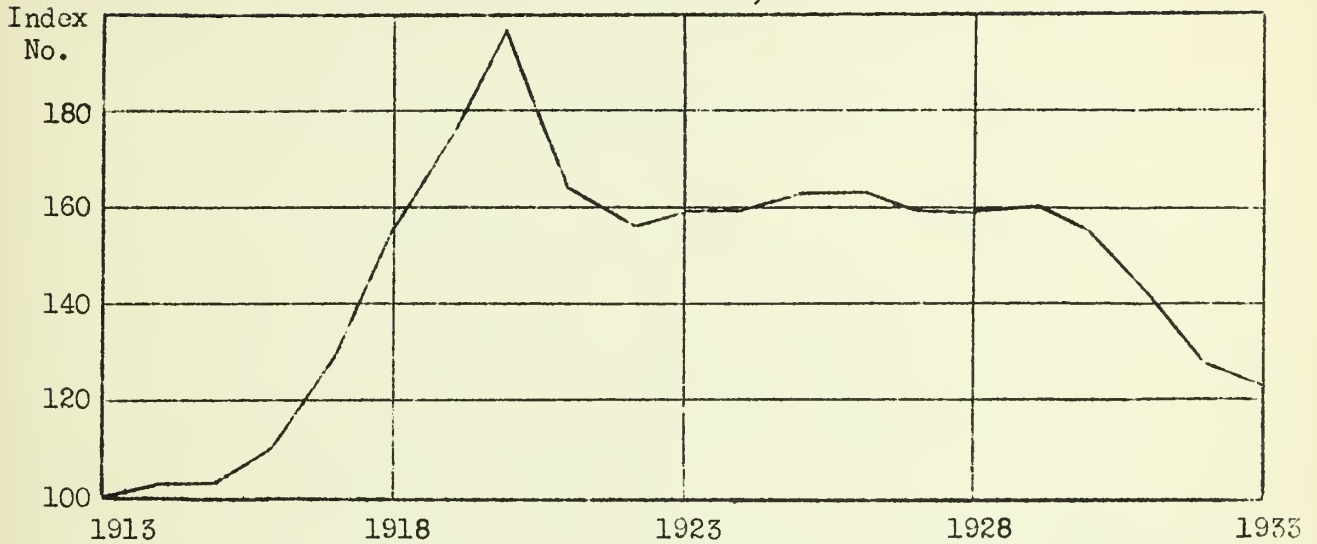
Cost of Restoring Salary Schedules. The two following sections give the cost to the City of restoring the step-rate increases, and of discontinuing the general pay cut. The amounts involved are translated into tax rates, using as a basis of computation an estimated assessed valuation of \$1,700,000, which is \$80,000,000 below the actual total valuation in 1933.



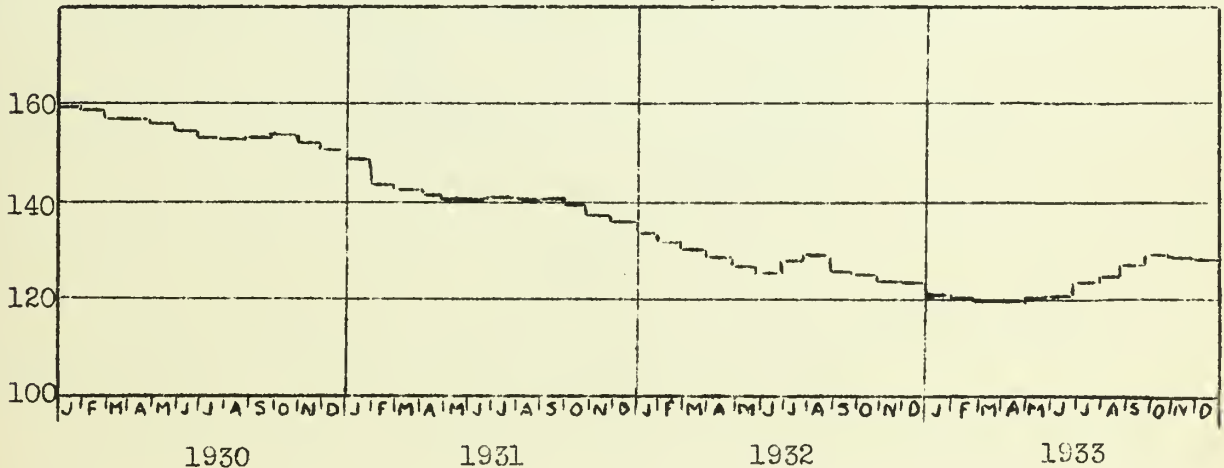
COST OF LIVING IN MASSACHUSETTS, 1913 - 1933

(Index No. Base: 1913=100)

ANNUAL INDEX NUMBERS, 1913-1933



MONTHLY INDEX NUMBERS, 1930-1933

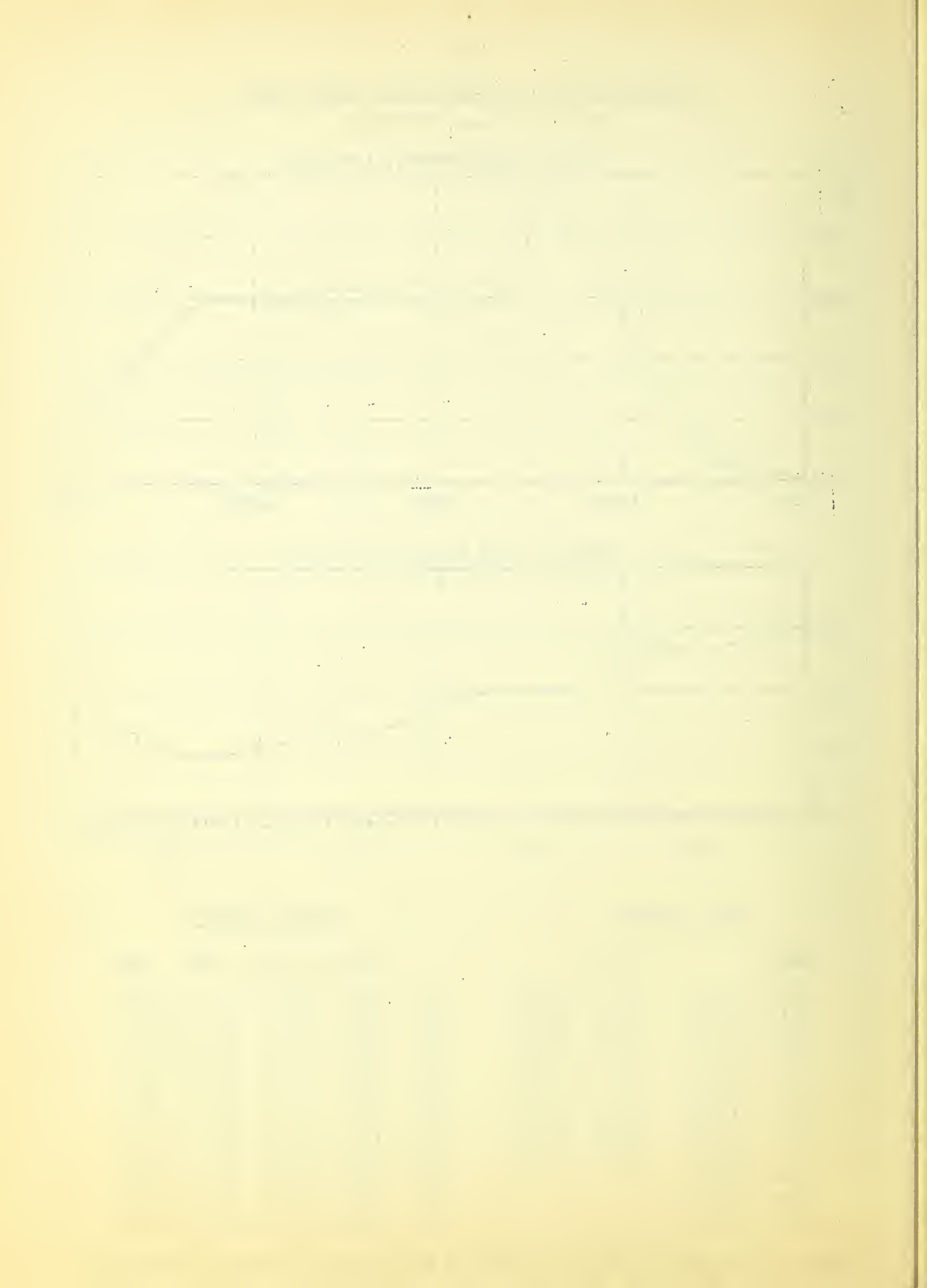


ANNUAL INDEXES

<u>Year</u>		<u>Year</u>	
1913	100.0	1925	163.3
1914	102.1	1926	163.1
1915	102.2	1927	159.4
1916	110.4	1928	159.7
1917	129.5	1929	160.6
1918	154.5	1930	155.0
1919	172.6	1931	141.4
1920	195.3	1932	127.6
1921	163.7	1933	123.5
1922	156.1		
1923	159.4		
1924	159.2		

MONTHLY INDEXES

	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>
Jan.	159.4	148.6	134.0	121.2
Feb.	158.9	143.9	131.6	119.8
Mar.	157.0	143.3	130.8	118.5
Apr.	157.1	141.5	129.3	118.9
May	156.4	141.1	127.5	119.7
June	155.0	140.2	125.8	121.0
July	154.2	141.0	128.5	124.3
Aug.	153.7	140.4	128.5	125.7
Sept.	153.9	140.7	125.2	127.4
Oct.	153.4	139.3	124.7	128.8
Nov.	151.2	137.5	122.7	128.7
Dec.	149.9	135.7	122.8	128.2



(a) Step-rate increases. The cost of step-rate increases and County for 1934 in the School, Police, Fire, Library/departments would be approximately \$475,000, or twenty-eight cents on the tax rate.

(b) Discontinuance of pay reductions. Restoring salaries to the level in effect prior to the general reduction would cost the City of Boston about \$5,000,000 in 1934. Stated differently, this restoration would result in a tax rate of approximately \$2.90 higher than it otherwise would be. Compared to last year, when the general pay cut was in effect only ten months, the added cost would be approximately \$3,400,000 or two dollars on the tax rate.

The above total cost of restoring salary reductions is sub-divided below. Self-supporting departments (Printing, Water, etc.) are not included.

City	\$2,700,000
County	300,000
Schools	1,900,000
Miscellaneous	<u>100,000</u>
	\$5,000,000

Summary

The resumption of step-rate salary increases would cost about \$475,000 in 1934, or twenty-eight cents in the tax rate.

The restoration of salary cuts would cost the City \$5,000,000, (\$2.90 in the tax rate). Inasmuch as 1933 expenditure included several months of full salary payments prior to the taking effect of salary cuts, only \$3,400,000 of the above sum would be added to last year's amounts in establishing the 1934 payroll total, or a tax rate increase of \$2.00.

Living costs have declined continuously since the depression began (in index numbers, from 160.6 in 1929, to 123.5 in 1933). There has occurred a slight rise since the low point was reached in 1933 (in index numbers, from 118.5 in March to 128.2 in December).







